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S E C R E T STATE 190194

EXDIS, MIL ADDEES HANDLE AS SPECAT EXCLUSIVE

FOLLOWING REPEAT LISBON 5530 ACTION SECSTATE
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QUOTE: S E C R E T LISBON 5530

EXDIS

MILITARY ADDRESSEES HANDLE AS SPECAT EXCLUSIVE

DEPARTMENT PASS SACLANT, NORFOLK VA; USCINCEUR, VAIHINGEN GER;
SECDEF WASH DC

E.O. 11652: GDS
TAGS: MARR AID PO
SUBJ: FUTURE U.S. MILITARY ASSISTANCE TO PORTUGAL

REF: STATE 182780

SUMMARY: THIS MESSAGE SETS FORTH THE POLITICAL/ECONOMIC/MILITARY
SECRET

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RATIONALE FOR A CONTINUED MILITARY ASSISTANCE PROGRAM BEYOND
FY 79, IN ADDITION TO THE LAJES QUID. (THE ECONOMIC QUESTIONS
IN REFTEL ARE BEING ANSWERED SEPARATELY). FOR PLANNING PURPOSES,
IT IS ASSUMED THAT THE LAJES QUID ON THE MILITARY SIDE WILL
CONSIST OF 60 MILLION DOLS, OR 30 MILLION DOLS EACH IN FY 80 AND
FY 81. GIVEN THE NEEDS OUTLINED LATER IN THIS MESSAGE, WE ARE
PROPOSING A N ADDITIONAL 20 MILLION DOLS A YEAR OR A TOTAL OF 50
MILLION DOLS. I REGARD THIS AMOUNT AS THE BARE MINIMUM TO MEET
POLITICAL AND MILITARY OBJECTIVES, AND EMPHASIZE THAT IT IMPLIES
EQUIPMENT SHORTFALLS THAT WILL HAVE TO BE MADE UP BY OTHER ALLIES.

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1. POLICY IMPLEMENTATION: OUR PRIMARY FOREIGN POLICY OBJECTIVES IN PORTUGAL HAVE BEEN TO FOSTER THE DEVELOPMENT OF A STABLE WESTERN, NATO-ORIENTED DEMOCRATIC SOCIETY. THOSE OBJECTIVES HAVE BEEN PURSUED VIA SUPPORT FOR DEMOCRATIC POLITICAL FORCES; SIGNIFICANT FINANCIAL AND ECONOMIC ASSISTANCE; SUPPORT FOR THE GOP'S EUROPEAN OPTION AND DEVELOPING AFRICAN POLICY; ENCOURAGEMENT OF ACTIVE PORTUGUESE PARTICIPATION IN NATO; AND A MODEST MILITARY ASSISTANCE PROGRAM. WE HAVE SIMULTANEOUSLY ENCOURAGED THE NATO ALLIES AND OTHER WEST EUROPEAN COUNTRIES (AND JAPAN) TO SUPPORT THE DEVELOPMENT OF DEMOCRATIC INSTITUTIONS AND TO CONTRIBUTE TO PORTUGUESE EFFORTS TOWARD ECONOMIC RECOVERY THROUGH BILATERAL AND MULTILATERAL ASSISTANCE PROGRAMS. SIGNIFICANT PROGRESS HAS BEEN MADE SINCE 1974 BUT PORTUGUESE DEMOCRATIC AND ECONOMIC INSTITUTIONS REMAIN FRAGILE. A DETERIORATING ECONOMIC SITUATION OVER THE NEXT COUPLE OF YEARS, COMBINED WITH DISILLUSIONMENT AMONG THE MILITARY WITH CIVILIAN POLTICIANS AND DISSATISFACTION WITHIN THE ARMED FORCES WITH THE PACE OF PROFESSIONALIZATION COULD PROVIDE THE INGREDIENTS FOR ATTEMPTS BY THE RIGHT OR THE LEFT TO PUSH FOR AN AUTHORITARIAN REGIME.

2. MILITARY ASSISTANCE PROGRAMS: A MILITARY ASSISTANCE PROGRAM HAS BEEN AND, IN THE SHORT TERM, WILL REMAIN A KEY ELEMENT IN:
--BUILDING A CREDIBLE THOUGH MODEST NATO MISSION FOR THE PORTUGUESE ARMED FORCES CONSISTENT WITH DRASTIC REDUCTIONS IN PERSONNEL LEVELS FOLLOWING THE COLLAPSE OF THE COLONIAL EMPIRE;
--SUPPORTING PRESIDENT EANES'S CONTINUING AND THUS FAR SUCCESSFUL EFFORTS TO PROFESSIONALIZE THE ARMED FORCES WITHIN A STABLE DEMOCRATIC SOCIETY;
--PREVENTING BUDGETARY PRESSURE FROM SPILLING OVER INTO GENERAL DEFENSE POLICY DEBATE WHICH COULD ENCOURAGE REVANCHIST ELEMENTS TO CHALLENGE THE GOVERNMENT'S STEADY PROGRESS TOWARD JOINING EUROPE IN FAVOR OF THE ALTERNATIVE OF A "NATURAL PORTUGUESE THIRD WORLD OR NON-ALIGNED ROLE";
--CONSOLIDATING THE GAINS MADE THUS FAR BY INSULATING PORTUGAL'S FRAGILE ECONOMY FROM NATO-ENDORSED AND LIMITED ARMED FORCES BUDGETARY DEMANDS ON ALREADY SCARE NATIONAL RESOURCES;
--COMPLEMENTING OTHER U.S. FINANCIAL AND ECONOMIC ASSISTANCE PROGRAMS.

3. FORCE MODERNIZATION: THE ABOVE FACTORS ARE AS IMPORTANT TODAY AS THEY WERE IN 1976 WHEN THE ORIGINAL JCS-APPROVED AND NATO-BLESSED FORCE MODERNIZATION CONCEPT WAS DEVELOPED. THAT CONCEPT WAS DESIGNED IN LIGHT OF OUR MAJOR FOREIGN POLICY OBJECTIVES IN PORTUGAL. IT

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REMAINS THE RATIONALE UPON WHICH OUR MILITARY ASSISTANCE
PROGRAM IS BASED, AND BY WHICH WE HAVE ENCOURAGED
OTHER NATO MEMBERS TO INCREASE THEIR OWN CONTRIBUTIONS IN
PURSUIT OF OUR COMMON ALLIANCE OBJECTIVE. THE 1976
FORCE MODERNIZATION PROGRAM IS BASED ON A CAREFULLY
ORDERED THREE-PHASE APPROACH TO UPGRADE THE ARMED SERVICES.
WE ARE IN PHASE II FOR ALL THREE.

4. CURRENT STATUS:
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--FOR THE ARMY: FY 77, 78, AND 79 PROGRAMS INCLUDE
MOST REQUIRED ITEMS FOR A PARTIALLY AIR-TRANSPORTABLE
BRIGADE WITH THE EXCEPTION OF 155 SP HOWITZERS, WHEELED
VEHICLES, AIR DEFENSE BATTERY, MORTAR CARRIERS, MEDIUM
RANGE ANTI-TANK MISSILES, AND AMMO.
--FOR THE AIR FORCE: FIVE OF SIX REQUIRED C-130S HAVE BEEN
DELIVERED. THERE HAS BEEN NO PROGRESS ON A
SQUADRON OF F-5ES TO SUPPORT THE BRIGADE; OR
REPLACEMENT OF OBSOLETE MARITIME PATROL AIRCRAFT.
--FOR THE NAVY: FY 78 AND 79 PROGRAMS INCLUDE 2.6 MILLION
DOLS AND 3.8 MILLION DOLS FOR COMMUNICATIONS UPGRADE OF
THREE NAVY ASW FRIGATES TO NATO STANDARDS.

5. WHERE ARE WE GOING? A GRANT MILITARY ASSISTANCE
PROGRAM FOR MODERNIZATION AT MINIMUM LEVELS OF 50 MILLION
DOLS PER YEAR FOR FY 80-81 (INCLUDING USE OF THE LAJES QUID)
IS DESIGNED TO:
--COMPLETE PROGRAMMING OF NATO BRIGADE EQUIPMENT;
--INITIATE THE PROGRAM OF F-5ES (THE PORTUGUESE HAVE
INDICATED THAT THE MILITARY PORTION OF THE LAJES QUID
WILL BE COMMITTED TOWARD THE PURCHASE OF A SQUADRON OF
F-5ES) AND COMPLETE THE C-130H SQUADRON.

6. THE ECONOMIC FACTS OF LIFE: A STRINGENT FOREIGN
EXCHANGE BUDGET HAS BEEN ACCEPTED BY THE GOP AS PART OF
THE CURRENT STABLIZATION EFFORT WORKED OUT WITH THE IMF.
THE GOVERNMENT'S ABILITY TO FINANCE MAJOR DEVELOPMENT
PROGRAMS IN ALL SECTORS INCLUDING THE MILITARY IS SERIOUSLY
AND NECESSARILY RESTRICTED. THE DIVERSION OF FOREIGN
EXCHANGE RESOURCES TO MILITARY EQUIPMENT WOULD FURTHER
REDUCE FOREIGN EXCHANGE AVAILABLE O FIBANCE ESSENTIAL
CIVILIAN IMPORTS OR AGGRAVATE THE BALANCE OF PAYMENTS
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DEFICIT OR BOTH. A CONTINUED MILITARY ASSISTANCE PROGRAM
AT RECOMMENDED LEVELS, ON THE OTHER HAND, FREES BUDGETARY
RESOURCES FOR ESSENTIAL ECONOMIC ACTIVITIES, THEREBY CON-
TRIBUTING TO ECONOMIC RECOVERY WHICH IS AN ESSENTIAL
UNDERPINNING OF SOCIAL AND POLTICAL STABILITY IN A

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DEMOCRATIC CONTEXT--THE PRINCIPAL U.S. POLICY OBJECTIVE.

7. THE PRINCIPAL ARGUMENT FOR THE 1976 FORCE MODERNIZATION CONCEPT AND U.S. MILITARY ASSISTANCE SINCE 1974 HAS BEEN POLITICAL/ECONOMIC AND NOT MILITARY. THAT REMAINS THE CASE, BUT THERE ARE SIGNIFICANT MILITARY FACTORS WHICH MUST BE CONSIDERED:
--THE ARMY BRIGADE SUPPORTED BY THE AIR FORCE CAN PLAY A USEFUL ROLE IN HELPING DEFEND THE SOUTHERN NATO FLANK; BUT THIS IN TURN DEPENDS ON A MINIMUM LEVEL OF EQUIPMENT WHICH PORTUGAL CANNOT PROVIDE FOR ITSELF. THE REQUIREMENTS ARE EXTREMELY MODEST BY MODERN STANDARDS.
--THE PORTUGUESE TRIANGLE, COVERING THE CONTINENTAL COAST, THE AZORES AND MADEIRA ISLANDS, DOMINATES MARITIME AND AERIAL LINES OF COMMUNICATION IN THE ATLANTIC AND THE WESTERN APPROACHES TO THE MEDITERRANEAN SEA. IF THE GOP IS UNABLE, OR BECOMES UNWILLING TO CARRY OUT ITS NATO COMMITMENT, THE PROTECTION OF VITAL SHIPPING THROUGH THAT TRIANGLE COULD BE DEGRADED.
--A MILITARY DISILLUSIONED WITH ITS NATO ROLE COULD CREATE AN UNFAVORABLE ATMOSPHERE FOR FUTURE RENEWALS OF THE LAJES BASE AGREEMENT, WHICH PROVIDES AN ESSENTIAL LINK IN OUR OWN ASW ACTIVITY IN THE ATLANTIC.
--THE PORTUGUESE ARMED FORCES ARE NOT YET A FACTOR IN NATO. THE NAVY DOES CONTINUE, AS IT HAS IN THE PAST, TO PROVIDE SOME ASW FORCES. HOWEVER, WITHOUT SUBSTANTIAL MODERNIZATION, IT CANNOT COORDINATE EFFECTIVELY WITH OTHER NATO NAVIES AND COULD BE EASILY DEFEATED AT THE OUTBREAK OF HOSTILITIES.

8. THE LAJES QUID: THE MILITARY QUID PORTION OF THE
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FUTURE LAJES BASE RENEWAL AGREEMENT WILL NOT COVER MINIMUM MILITARY ASSISTANCE NEEDS. A LAJES QUID OF APPROXIMATELY 60 MILLION DOLS WOULD BUY ONLY ONE-HALF OF THE PROJECTED F-5 SQUADRON WITHOUT EVEN ADDRESSING ARMY AND NAVY REQUIREMENTS. THUS, EVEN AT PROJECTED FUNDING LEVELS, MAP WILL FALL FAR SHORT OF THE 1976 FORCE MODERNIZATION GOALS. WHILE THE GOP COULD USE THE LAJES QUID TO PURCHASE A LIMITED NUMBER OF F-5ES, IT COULD NOT COMPLETE THE BRIGADE TO THE POINT OF ENABLING IT TO OPERATE ON A MODERN BATTLEFIELD WITHOUT ADDITIONAL MAP FUNDING. SIMILARLY, THE NAVY COULD NOT BE BROUGHT UP TO ANY STANDARD WHERE IT COULD HAVE A USEFUL, OR EVEN A CREDIBLE, ROLE IN PORTUGUESE EYES.

9. IN ADDITION, IF THERE IS NO NON-LAJES MILITARY ASSITANCE, THE NATO ALLIES COULD CONCLUDE THAT IN PRESSURING THE ALLIANCE TO MAKE SIGNIFICANT CONTRIBUTIONS TO THE FORCE MODERNIZATION PROGRAM WE WERE SIMPLY TRYING TO GET THEM TO PAY FOR OUR LAJES RIGHTS. FOR THEIR PART THE PORTUGUESE, INCLUDING PRESIDENT EANES, WOULD ALSO FEEL BADLY LET DOWN.

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SO FAR AS I AM AWARE, NO RPT NO ONE HAS DISCUSSED WITH THE PORTUGUESE ANY U.S. MILITARY ASSISTANCE APART FROM THE FY 77-78-79 PROGRAMS AND THE OFFER ALREADY TABLED ON THE LAJES AGREEMENT. NONETHELESS, THE PORTUGUESE HAVE BEEN CONVINCED BY THE NATO ENDORSEMENT OF THEIR MODERNIZATION PROGRAM AND OUR EFFORTS TO ELICIT BROAD ALLIED CONTRIBUTIONS TO THAT PROGRAM, THAT THERE WOULD BE CONTINUING SUPPORT FOR THEIR MODERNIZATION EFFORT EVEN AFTER THE LIMITED, TOP PRIORITY ITEMS FOR THE AIR TRANSPORTABLE BRIGADE HAD BEEN ASSURED. THIS PORTUGUESE ASSUMPTION WAS NOT UNREASONABLE CONSIDERING THAT IT WAS CLEAR FROM THE START THAT THE NATO-ENDORSED MODERNIZATION PROGRAM WOULD REQUIRE FAR MORE RESOURCES THAN ARE AVAILABLE FROM THE ASSISTANCE THUS FAR OFFERED BY ALL ALLIANCE MEMBERS. IN ANY CASE, THE PORTUGUESE EXPECTATION

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OF CONTINUING SUPPORT IS SO DEEPLY ROOTED THAT WE CAN IGNORE IT ONLY AT GREAT RISK TO THEIR CONFIENCE IN THEIR ABILITY TO PURSUE THE MODERNIZATION-PROFESSIONALIZATION STRATEGY TO A SUCCESSFUL CONCLUSION.

10. AN ALLIANCE CONCERN AND RESPONSIBILITY: A U.S. MILITARY ASSISTANCE PROGRAM ALONE CANNOT AND SHOULD NOT BE DESIGNED TO FULFILL ALL THE 1976 FORCE MODERNIZATION PROGRAM GOALS OR TO MEET ALL FUTURE ALLIANCE FORCE LEVEL REQUIREMENTS. IT SHOULD BE AN ALLIANCE-WIDE EFFORT. OUR FAILURE TO CONTINUE MILITARY ASSISTANCE SUPPORT COULD LEAD THE OTHER ALLIES TO ABANDON EFFORTS NOW UNDERWAY AT OUR URGING. ALLIANCE CONTRIBUTIONS TO DATE HAVE BEEN DISAPPOINTING BUT WE BELIEVE THE ALLIES COULD BE INDUCED TO DO MORE, PROVIDED THE PORTUGUESE TAKE THE LEAD IN PRESSING THEIR OWN NEEDS ON OTHER ALLIANCE MEMBERS AND WE SUPPORT THEIR EFFORTS BILATERALLY IN NATO CAPITALS. IF WE CAN COUNT ON A CONCRETE BUT LIMITED MILITARY ASSITANCE PACKAGE AS HEREIN RECOMMENDED, IT WILL STRENGTHEN THE HAND OF THE PORTUGUESE LEADERS IN INSISTING ON SIGNIFICANT CONTRIBUTIONS FROM THE OTHER ALLIES.
BLOOMFIELD

UNQUOTE CHRISTOPHER

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